POVERTY: A REVIEW OF THE LITERATURE

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ABSTRACT

This paper thoroughly reviews the topic of poverty. It explores the issues surrounding its definition, measurement, and extent, then proceeds to profile the poor. The causes and consequences of indigence are recounted next, followed by a consideration of possible responses to alleviate it. An objective stance is assumed respecting the many controversial issues addressed: only when the evidence from the literature seems clearcut is a position taken. The paper concludes that the concept of absolute poverty is preferable to a relative approach, that income inequality should not be used as a measure of poverty, and that the most promising response to poverty is the promotion of economic growth.

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POVERTY: A REVIEW OF THE LITERATURE

Poverty has returned to the headlines, as a weak economy and continued high unemployment take their toll on an increasing proportion of the population. With federal elections due soon in Canada and the United States, political parties, intent on attracting voters, will do their best to portray poverty as a serious problem -- one that will only worsen if the electorate chooses carelessly. Advocates for the poor, too, will seize the opportunity to remind the public that the poor are still with us, that society must do more to ease their plight.

There is a need for a dispassionate survey on poverty as it exists in the mid-eighties. This paper will thoroughly examine the topic of poverty, beginning with an attempt to demarcate the poor from the non-poor through a detailed enquiry into its definition and measurement, followed by an investigation of the extent of poverty. From this overview, the paper proceeds to look at the demography of poverty, and discusses its causes and consequences. Responses to poverty are then considered.

Definition of Poverty

Any attempt to discuss a major issue should begin with its definition. Unfortunately, this is no easy task with poverty. Definitions vary depending on the ideas and values held by the definer. Poverty is generally conceived of as economic insufficiency, although the term evokes complex images of economic, social, and psychological conditions (1). In dispute is what constitutes economic insufficiency: there seems to be no definitive dollar amount that is acceptable to all or valid for all uses. There are two basic approaches for determining the level of income necessary to escape poverty: absolute and relative.

Absolute Poverty

Persons in absolute poverty have inadequate financial resources to meet their basic needs (normally considered as food, clothing, and shelter). This "subsistence" approach to poverty usually relates minimum basic needs to average living standards (2), but excludes items and services not vital to physical survival.

Relative Poverty

A relative definition of poverty argues that poverty is always relative to time, place, and circumstance (3). As Townsend states, "Poverty ..... is the lack of resources necessary to permit participation in the activities, customs and diets commonly approved by society" (4, p.88). In other words, people are considered poor if their income, even if sufficient to meet basic needs, is well below the average prevailing income. Poverty, so defined, must be measured in terms of a standard which reflects the current affluence of society; income distribution is the favoured proxy.

Absolute versus Relative

The choice between absolute and relative amounts to an arbitrary selection between income inadequacy and income inequality as the best measure of poverty. Although there are those who believe these approaches complement each other (5,6,7), most proponents of one view are strong opponents of the other.

Supporters of the absolute concept of poverty emphasize:

- the objectivity of absolute poverty versus the subjective feelings of the relatively poor who may <u>feel</u> worse off than the rest of the community (8);

- that poverty and income inequality are separate issues which must be addressed separately (7,9);
- that choosing a relative poverty standard over an absolute one would do little to help the poor but would only point out that there are more of them (10). The public or governments will not take poverty seriously if one of every five people is defined as poor;
- that measuring poverty by some proportion of average or median income, as relative standards do, would suggest that (since large families earn less on average than smaller families) poor families with a lot of children would need less income than average-sized families (11);
- what the poor perceive as the prevailing income in their community rather than their country is important to relative deprivation (12). It would be impossible to establish poverty lines by community;
- that during recessions, when rising prices and unemployment lower real income for wage earners, using the proportion of income concept means that the number of poor would actually decline. An absolute poverty line, by contrast, would rise to match prices (7,12);
- that relative poverty is inapplicable to much of the world since nobody could live at half the average income in poor countries (12);
- that relative poverty could only be eliminated by an equal distribution of income (13), an impossibility in capitalist societies. Even during times of healthy economic growth, when everyone benefits including the poor, relative poverty barely decreases (14); and
- that a relative definition removes any global or historical perspective from the term "poverty" (1).

The conviction that poverty should be seen as a relative rather than an absolute condition is primarily based on ethical arguments. Most importantly, it is felt that absolute poverty lines are too low to ensure that a person can fully participate in society (4,15,16). Another related point, that absolute lines "rationalize the initial causes of poverty and justify the status quo" (17, p.52), illustrates the emotive nature of the arguments presented on behalf of the relative position. That is, supporters of a relative conception of poverty fear that acceptance of absolute poverty lines would "legitimate the presence of living conditions in our society that are unacceptable as a basis for informed income security policy" (15, p.2). The essence is that it is morally wrong to treat poverty as physical insufficiency; a wealthy society is obligated to consider as poverty social insufficiency.

Measurement of Poverty

Poverty is most commonly measured using the "head count" method, counting the number of people falling below a specified poverty line. Another widely used measure is the so-called "poverty gap", the aggregate amount of money needed to raise all of the poor to the poverty line.

Both measures are useful, but each has its limitations. The head count measure, by indicating the proportion of the population considered poor, is important for identifying the magnitude of the poverty problem, identifying a target group for which to devise social programs and gauging the anti-poverty effectiveness of these programs (11). But this measure is insensitive to the degree of poverty of families below the poverty line: a family with income one dollar below the poverty line is treated the same as one with no income at all. Income support programs,

most often evaluated using the head count criterion, would be judged more successful if they concentrated on those closest to the poverty line and ignored those most in need.

In contrast, the poverty gap, by measuring the extent of poverty, would suggest concentrating transfers on those in the most acute want -- a more apposite policy. This measure also has a severe limitation, however: it ignores the number of poor.

A combination of these two measures gives a good indication of the extent of and severity of poverty. Other more accurate measures are proposed from time to time in economics journals, but they tend to be complicated and none has gained the acceptance of the head count or the poverty gap.

Poverty Lines

A poverty line denotes the amount of money society believes is needed to meet a household's needs. Specification of what constitutes a need depends on whether poverty is perceived as low absolute income or low relative income. Of course, absolute poverty lines tend to be much lower than relative poverty lines.

The concept of a poverty line was broached by Booth and Rowntree in the late nineteenth century. Booth, studying the poor in London, and Rowntree, working in York, were the first to use a market-basket approach to devise a poverty threshold (1,18,19).

Early poverty lines were at minimum subsistence levels because governments were too poor to define poverty in any but absolute terms: "indeed, the persistence of subsistence definitions of poverty in underdeveloped countries is evidence of this economic imperative" (1). Nevertheless, this minimum subsistence budget steadily increased, even after inflation, as the twentieth century progressed (18). Relative poverty lines only gradually gained currency as prosperity rose.

U.S. Poverty Line

The United States is one of the few countries with an official poverty line. It is an absolute line adjusted annually for inflation. By contrast, most other developed nations have relative poverty lines, few with official status (20). Ironically, even though the American poverty line was low enough to be officially adopted, federal and state governments frequently choose not to tie transfer benefits to this benchmark, instead opting to pay less (19,21).

The current measure was developed in the mid-sixties by the Social Security Administration. In 1963, the base year, one figure, an annual poverty threshold for a family of four, constituted the entire index. A more refined set of measures is now available specifying income cut-offs adjusted for household size, the age of the head, and the number of children under age 18 (22). (Prior to 1981, sex of the head, and farm - non-farm residence were also available.)

Food is the foundation of the American poverty line: the cost of a nutritionally adequate diet for families based on the Thrifty Food Plan is used for the calculation. The Thrifty Food Plan, formerly the Economy Food Plan, was originally devised by the U.S. Department of Agriculture as a temporary or emergency diet for use "when funds are low". It is most economical of four U.S.D.A. food plans developed to help families of various sizes, compositions, and income levels determine how to obtain a balanced and nutritious diet (23).

Food costs are transformed into the poverty line using a "multiplier". The multiplier was culled from studies conducted in the fifties which found that food costs composed one-third of a family's budget. Hence, the original poverty line was

three times the cost of the Economy Food Plan. Since 1969, poverty levels have been tied to increases in the Consumer Price Index rather than food costs, so the factor of 3 now only approximates the poverty threshold.

In 1982 the poverty line for a family of four was $9,862 (24). This roughly translates to $3,287.33 for food, $3,287.33 for shelter, and $3,287.33 for other necessities such as clothing, household items, transportation, utilities, and personal needs.

Problems With the U.S. Poverty Line. Although the poverty line enjoys official status and widespread acceptance, it has been subjected to severe criticism:

1) It is seen as unrealistically low for two reasons:
   a) the Thrifty Food Plan, designed for short-term or emergency use, is nutritionally inadequate over the long term (5,18,23); and
   b) the multiplier is based on outdated studies. Food now accounts for only about one-fifth of a typical household's expenditure so the multiplier should be 5 rather than 3 (5,23,25);
2) Some argue the United States should move to a relative poverty line so that it represents "a commonly accepted normative standard" (19,23); and
3) Tying the poverty line to the CPI rather than the price of food has effectively reduced the line because food prices rose 15% more than the total CPI during the 1970's (19).

The critics contend that as a result of these shortcomings, destitution in the U.S. is grossly underestimated. The extent of American poverty may in fact be significantly overestimated, however, because of the official concept of income. These issues will be explored in the section discussing the extent of poverty.

Canadian Poverty Lines

Unlike the United States, there is no officially sanctioned poverty line for Canada. Instead, there are five different approaches to measuring poverty.

1) Statistics Canada Low-Income Cut-Offs. The Statistics Canada cut-off lines are the most widely used in the country and come closest to an official national poverty line (15,17). Originally developed in 1961 and updated annually using the CPI, the cut-offs are based on consumer expenditure surveys that identify the proportion of gross income Canadians spend on average for the basic necessities of food, shelter, and clothing. The cut-off is the point where households spend 20% more of their income than the average Canadian household requires for basic necessities. In 1961, for instance, Canadians spent 50% of their income for food, clothing, and shelter (2). Any family spending more than 70% of its income on these basic necessities was defined as living in "straightened circumstances".

   Statistics Canada has revised its low-income cut-offs twice, in 1969 and 1978, to reflect changes in consumer spending. The current index uses a figure of 38.5% as the average proportion of income spent for basic needs. Therefore, any household requiring more than 58.5% of its gross income for essentials is living in poverty. The first revision also expanded the index to include cut-offs for different sized population centres.

   The Statistics Canada index is a mixture of absolute and relative approaches to measuring poverty. Its determination, though based on a survey of actual expenditures by Canadian families for basic needs, is related to rising incomes of Canadians: as incomes rise, the proportion of expenses on basics falls (17).

There are advantages and disadvantages with this measure (15). On the plus side, the lines are applicable nationally and are easily updated and published annually. Its major weakness concerns the arbitrary nature of choosing a 20% differential to calculate the cut-off.

2) CCSD Poverty Lines. The Canadian Council on Social Development poverty lines use a purely relative approach to measure poverty. Households with income less than half the average family income are considered poor. The poverty line is calculated by first determining 50% of average gross income for a family of three. It is then adjusted for family size using a weighting system of family size income units (defined as the annual amount of income necessary to sustain a dependent). A single person receives three units; a family of two gets five units; and one unit is granted for each additional dependent.

The strengths and weaknesses of the CCSD poverty line are similar to those of Statistics Canada's index. It is derived from national data and easily updated, but its definition of poverty is arbitrary: 50% of average income could just as well have been 40% or 60% (15).

3) Senate Committee Poverty Line. The Special Senate Committee on Poverty developed, in 1971, a poverty line to be used in establishing a guaranteed annual income program for Canada (2). It is essentially a relative poverty line but, like the Statistics Canada line, is based on a measure of consumer expenditure. This index was initially based on an income guarantee level of $3,500 for a family of four in 1969. Poverty line figures were then calculated so that the guarantee represented 70% of the poverty line (using the Statistics Canada definition that indigent families were spending 70% of their incomes on basic needs). Using the same procedure as the CCSD poverty line, "family size equalizer points"

adjust the poverty thresholds for family size. The Senate lines consistently work out to 56% of average Canadian gross family income (17).

The Senate Poverty Line, being so difficult to update, is not widely used. Its complexity and arbitrary nature ensure that it will remain disregarded.

4) Toronto Budget Guidelines. As opposed to the three poverty lines thus far outlined, the Social Planning Council of Metropolitan Toronto "income adequacy standard" is based on a market-basket approach. The standards define a minimum basket of goods and services "deemed necessary for the proper social and physical development of persons and families in Metropolitan Toronto" (15, p.5). It is a quasi-relative poverty line chosen to guarantee "good health and a sense of self-respect" (2, p.11). Included in the budget are allowances for food, shelter, clothing, household items, health care, personal care, recreation, alcohol and tobacco, transportation, school needs, life insurance, a contingency fund, and even sales tax.

This approach is advantageous in that it is readily understood as based on a basket of goods and services: the relationship between low income and being unable to purchase needed items is clear (15). Disadvantages include difficulty with updating and lack of applicability to areas outside Toronto (15).

5) Montreal Diet Dispensary Budget. The only absolute poverty line in Canada, the Montreal Diet Dispensary, is also based on a basket of goods and services, albeit a much less generous one than that contained in the Toronto Budget Guidelines. The Montreal budget grants subsistence amounts for food, shelter and clothing, as well as extremely limited amounts for recreation, gifts, communications, alcohol, and other

personal needs. "On balance, the lower quantity and price standards contained in the Montreal budget reflect its acceptance of the aims and objectives of government social assistance programs as a basis for arriving at income adequacy standards" (15, p.6).

The Montreal Diet Dispens Budget is valuable because it is the only absolute poverty line in Canada. As such, it affords the opportunity to measure absolute poverty in the country. It has the same disadvantages as Toronto's budget: it requires a lot of detailed pricing and expenditure data to update, and it may be difficult to apply outside Montreal. Also, it has not been revised conceptually since the late 1950's (15).

Table 1 exhibits the 1983 poverty line estimates for the three national poverty lines and the two local ones. Toronto, representing the most generous relative poverty line, and Montreal, representing the absolute poverty line, form the extremes. The Toronto budget cut-offs are more than double the Montreal levels. Obviously, a much different view of poverty will be generated depending on which index is used. Studies of poverty in Canada generally employ the Statistics Canada low-income cut-offs.

Table 1
Estimated 1983 Poverty Lines

Family Size	Poverty Lines (Amount of Income)					
	Statistics Canada					
	Rural	Metro	CCSD	Senate	Toronto	Montreal
1	$ 7,052	$ 9,538	$ 8,562	$ 8,734	$11,530	$ 5,340
2	9,218	12,583	14,271	14,557	15,390	7,644
3	12,344	16,832	17,125	17,469	19,710	9,792
4	14,268	19,397	19,979	20,380	23,570	11,556
5	16,591	22,604	22,833	23,292	27,360	13,212

Source - 15

Income Equality as a Measure of Poverty

Enthusiasts of the relative notion of poverty believe that society should aim for a more equitable distribution of income. They point out that, despite the introduction and expansion of numerous government transfer programs, the distribution of income has changed little since World War II. Table 2 seems to indicate that the billions of dollars spent to fight poverty has had scant impact on income inequality: the substantial inequality evident in 1951 has remained constant over three decades.

Table 2

Percentage Distribution of Total Income of Families and Unattached Individuals by Quintiles - Canada

Quintile	1951	1961	1971	1981
Lowest	4.4%	4.2%	3.6%	4.6%
Second	11.2	11.9	10.6	10.9
Middle	18.3	18.3	17.6	17.6
Fourth	23.3	24.5	24.9	25.2
Highest	42.8	41.1	43.3	41.8
	100.0	100.0	100.0	100.0

Source: Statistics Canada Catalogue 13-207

Some writers maintain that this enigma can be explained by regressive tax systems (17, 26), while others claim that income inequality is much more complicated, and indeed contend that the distribution of income is unreliable as a basis for inferring the degree of inequality (27 - 31). The latter group points out some problems with the money income distribution:

1) Several sources of income and taxes are excluded from the distribution -- home ownership and other assets, non-money benefits from governments and employers, capital gains and losses, direct taxes paid, non-reported income, and potential additional earnings (27, 28);

2) No adjustment is made for different family sizes among quintiles (32); and

3) The use of annual income data is misleading (31). The income distribution conceals the considerable amount of variation in a household's income from year to year. An equal distribution of income implies that those just starting out should receive the same income as those in their peak earning years, or that young families with the greatest needs must have the same income as retired families with fewer needs and more assets (30).

Numerous adjustments to the income distribution are necessary to solve these problems and arrive at an accurate picture of income inequality. Browning (27) presented a revised U.S. income distribution after accounting for differences in family size, under-reporting of income, in-kind benefits from government (e.g., medicaid, food-stamps, public housing), public education, capital gains, leisure (potential additional earnings), and income and payroll taxes. As shown in Table 3, not only is the distribution of income more equitable, but the trend toward equality is positive, with the relative position of low-income families improving by 44% between 1952 and 1972.

Browning, however, still used annual income data for his research, perhaps the most serious shortcoming of the income distribution. Paglin, after demonstrating that up to one-half of income inequality is a consequence of varying ages, family sizes, and lifetime income patterns, found that correcting for these biases resulted in a considerable reduction of inequality -- a 23% decline for the lowest quintile (30).

Table 3

Reported and Adjusted
Percentage Income Shares for American Families

Quintile	1952		1962		1972	
	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted
Lowest	4.9%	8.1%	5.0%	8.8%	5.4%	11.7%
Second	12.2	14.2	12.1	14.4	11.9	15.0
Middle	17.1	17.8	17.6	18.2	17.5	18.2
Fourth	23.5	23.2	24.0	23.1	23.9	22.3
Highest	42.2	36.7	41.3	35.4	41.4	32.8

Source: 27

Both Browning and Paglin assert that little can be done to further reduce inequality. Basing his argument on marginal tax rates and their effect on work incentives, Browning suggests that society cannot afford much more equality: "redistributing even one per cent more will probably require marginal tax rates to rise by at least 10 percentage points for most, and possibly all families," including the poor who already face very high marginal tax rates (32, p.96). Furthermore, this small increment in equality would be attained at a cost of reduced work incentives since tax rates are higher and transfers larger. Paglin contends that the poorest quintile have not improved their relative position as a built-in result of the age distribution of the population.

Judging from the foregoing, it may be unwise to equate poverty with income inequality. They are separate (though related) issues which may require different solutions. Reducing poverty is more feasible and acceptable to the public than asking the government to balance the income distribution (28).

Extent of Poverty

"We have no unequivocal way of determining how many poor people there are. What may be worse is that most of us ..... don't even know that we don't know" (25, p.17). Depending on the definition, the number of poor in the United States ranges from 14 million to 45 million, and in Canada from about 2 million to 7-1/2 million. Officially, the poverty count in the United States was 34.4 million in 1982 or 15% of the population (24). In Canada, there were 4.1 million living within Statistics Canada's definition of poverty in 1982, 17% of the population (33). Poverty had been declining dramatically in both countries until the 1980's when a major recession drove up unemployment, causing the poverty rate to rebound. Table 4 shows the progress made against poverty in the U.S. and Canada until the trend was reversed (in 1979 in the U.S. and 1982 in Canada). The higher incidence of poverty in Canada reflects the higher poverty lines.

Table 4

	Official U.S. Poverty			Canadian Poverty*	
Year	Number (millions)	% of Population	Poverty Gap (billions of 1982)	Number (millions)	% of Population
1961	39.6	22%	$45	4.3	27%
1971	25.6	13	28	4.4	21
1981	32.0	14	39	3.5	15
1982	34.4	15	43	4.1	17

*Using Statistics Canada Low-Income Cut-offs

As might be expected, claims of remarkable progress against poverty have not gone uncontested. Supporters of the relative approach point out that poverty, as measured by the income distribution, has remained constant since World War II. For instance, the proportion

of the American population below 50% of median income has hovered around 20% since the late forties (11, 18).

On the other hand, there are those who claim that, but for the exclusion of non-money income in its measurement, poverty had been virtually eliminated by 1980. The concept of income used to measure poverty has the same shortcomings as those enumerated in conjunction with the income distribution. Specifically:

1) the under-reporting of income is a problem, especially among low-income households (34 - 37). Correcting for this bias would reduce the American poverty count by millions and the poverty gap by billions (35);

2) no adjustment is made for taxes paid (34, 35, 36). This acts to underestimate the poverty count and poverty gap;

3) intra-household income-sharing is ignored, thereby overstating the poverty problem (35);

4) in-kind income is disregarded (34, 35, 36). This is the most serious shortcoming with poverty measurement in the United States. In 1980, in-kind aid constituted 61% of government transfer payments. Despite target inefficiency (paying benefits to the non-poor) and using cash-equivalent values for food, housing and medical care, in-kind programs reduced the poverty gap by 40% in 1972 (35). Table 5 presents revised poverty rates after adjusting for under-reporting, taxes, intra-household transfers, and in-kind transfers -- the official figure is about three times the revised poverty rate in 1979. By this measure, poverty has been very nearly eliminated in the United States;

Table 5

Year	% of U.S. Population Considered Poor	
	Official	Revised
1959	22.4%	17.6%
1964	19.0	14.5
1969	12.1	6.5
1974	11.2	3.8
1979	11.6	4.1

Sources: 34, 37.

5) the annual measure of poverty can be misleading (10, 18). In fact, a nine-year study of an American national sample found that, although one-quarter of the sample was in poverty during at least one of the nine years, only 1.1% was in poverty for the entire period. Hence, poverty may be depicted as "much less persistent but much more pervasive than one might think by looking at the single year poverty statistics" (10, p.35);

6) the value of assets is excluded from current money income, which, under a relative poverty approach would act to underestimate poverty (since the poor have the fewest assets), and under an absolute poverty line would tend to overestimate poverty -- especially among the aged, many of whom own homes (18, 38); and

7) the value of leisure time is ignored (10, 38).

But for the significant exception of in-kind transfers which are much more prevalent in the United States, each of these shortcomings also acts to alter the reported extent of poverty in Canada. Although no systematic study has been completed attempting to quantify the effects of these problems on the Canadian poverty count, it seems safe to assume that the extent of poverty in Canada, however measured, is overestimated.

World Poverty

Studying the international context helps to set Canada's poverty in perspective. "The disparities between the rich and poor societies make it rather embarrassing at times to discuss in the same breath the poverty of the affluent economy and the poverty of the low-income society. The poor are so much poorer in poor societies that some writers believed that poverty had been ended in richer societies" (3, p.90). Indeed, Canada's poor are better off than the middle-class of many developing nations. Disparities in consumption between rich and poor nations can be seen in the Appendix.

The concept of relative poverty is meaningless outside of industrialized societies. Poverty in the Third World, where three-quarters of the world's poor live (39), is measured at a subsistence level: according to the World Bank, poverty is defined as the income level of the 40th percentile in India in 1975. This poverty line, based on the numbers without adequate food, would give a person enough income for an adequate calorie intake (2,150 daily) and essential non-food items (40). There are other more generous poverty lines based on standards of housing, health and education, as well as nutrition.

Determining the extent of global poverty is difficult because of the lack of reliable data from developing countries. The proportion of the world's population living in absolute poverty is conservatively estimated at between 20 and 25 percent. This represents 800 million people (39). The trend is in the right direction, however, with the proportion of people in absolute poverty down somewhat in the past 30 years (39), and likely to fall by approximately half by the year 2000 (40). But, since the world's population is quickly increasing, the number of poor will remain high -- various estimates (excluding China) ranging from 400 million to 1 billion (40).

In contrast to developing nations, most industrialized societies view poverty more in relative than in absolute terms (20). The Organization for Economic Co-operation and Development devised a standardized relative poverty line to compare the poverty rates of Western nations in the early seventies. Canada ranked sixth out of eight countries (Table 6). Of interest was that Canada's national poverty lines were significantly higher than those of the other nations, ranging up to 41% above the lowest poverty line, that of the United States.

Table 6

Country	% of Population Below Standardized Poverty Line
Australia	8%
CANADA	11
France	16
Germany	3
Norway	5
Sweden	3.5
United Kingdom	7.5
United States	13

Source: 20

Profile of the Poor

The poor are counted and designated by age, sex, race, region, family size, education, and various other characteristics so that causes, consequences, and responses can be identified. "High poverty rates imply that the subgroup has characteristics that induce poverty" (41, p.20). Of course, the profile of the poor depends on the definition of poverty: the higher the poverty line, the more closely the poor resemble the middle-class (31).

According to the official definition of poverty in the United States, in 1978, 54% of the poor were under age 18 or over 64 --

not in the work force. Of those between the ages of 15 and 65, one-quarter were ill, disabled, retired, or students, over half were employed, and only about one-quarter were able to work but were unemployed (42). By 1982, the composition of poverty had changed somewhat, largely due to the recession (24): young two-parent families rose from 34% in 1978 to 40%; female single-parent families - the largest group in 1978 - fell to 35%; the proportion of seniors remained steady at 11%.

Selected characteristics of the American poverty population in 1982 are delineated in Table 7. Note that although whites comprise nearly two-thirds of the poor, the incidence (likelihood) of penury is about three times greater for blacks.

The typical indigent American also has a dismal lack of education. Only one-third of poor family heads finished high school, 42% did not reach ninth grade. Of family heads with income above the poverty line, two-thirds completed high school, with 19% failing to reach Grade 9 (43).

Table 7

1982 U.S. Poverty

Selected Household Characteristics	Number (in thousands)	Poverty Rate
1982 - Total	34,398	15.0
Race		
White	23,517	12.0
Black	9,697	35.6
Spanish origin	4,301	29.9
Region		
Northeast	6,364	13.0
North Central	7,772	13.3
South	13,967	18.1
West	6,296	14.1
Residence		
Inside Metropolitan Areas	21,247	13.7
Inside Central Cities	12,696	19.9
Outside Central Cities	8,551	9.3
Outside Metropolitan Areas	13,152	17.8
Age		
Under 65 years	30,647	15.0
65 Years and over	3,751	14.6
Family Status		
In Families	27,349	13.6
Married-Couple Families	14,839	8.9
Female Householder, no husband present	11,701	40.6
Unrelated Individuals	6,458	23.1

Source: Washington Social Legislation Bulletin, Census Bureau tests alternatives for measuring poverty 1979-1982. March 12, 1984; 28 (29): 113 - 116

Table 8

Canadian Poverty Statistics for 1981

Characteristics	Proportion of Families		Incidence of Low-Income for Families	Proportion of Individuals		Incidence of Low-Income for Individuals
	Low-Income	Others		Low-Income	Others	
Canada	100%	100%	12.0%	100%	100%	37.8%
Atlantic Provinces	12.0	8.2	16.6	7.2	5.7	43.3
Quebec	33.0	25.9	14.8	32.7	21.1	48.5
Ontario	29.9	36.8	9.9	31.3	36.5	34.3
Prairie Provinces	16.2	17.3	11.3	16.1	21.8	31.0
B.C.	9.0	11.8	9.4	12.7	14.9	34.1
Age						
Up to 24	10.6	4.9	22.7	19.7	19.1	38.4
25 - 34	26.5	25.0	12.6	10.8	29.6	18.2
35 - 44	20.2	23.0	10.7	5.4	11.4	22.4
45 - 54	14.1	19.4	9.0	6.7	9.4	30.3
55 - 64	13.3	15.5	10.5	13.0	11.4	40.9
65 - 69	7.0	5.1	15.6	9.8	5.9	50.2
70+	8.2	7.1	13.6	34.6	13.1	61.6
Sex of Head						
Male	66.2	92.5	8.9	33.0	50.3	28.5
Female	33.8	7.5	38.1	67.0	49.7	45.0
Marital Status						
Single	8.9	2.3	34.7	44.5	60.6	30.9
Married	64.3	90.2	8.8	3.3	4.2	32.1
Other	26.8	7.5	32.7	52.2	35.2	47.4
Worker - Status of Head						
Full-Time	24.1	70.0	4.5	10.2	60.5	9.3
Part-Time	32.4	16.7	20.9	25.9	20.5	43.5
Did not work	43.5	13.3	30.7	63.9	19.1	67.1
Occupation of Head						
Managerial	1.4	10.4	1.8	0.7	7.6	5.4
Professional	3.5	11.5	4.0	5.3	19.0	14.6
Clerical	4.2	5.9	8.8	5.6	15.1	18.4
Sales	6.0	8.6	8.7	2.4	6.9	17.6
Service	9.9	7.5	15.3	8.9	7.7	41.4
Farming	6.9	4.1	18.4	1.3	1.7	31.6
Processing	3.7	8.0	5.9	1.7	4.1	19.9
Manufacturing	5.8	10.1	7.2	2.0	5.0	19.8
Construction	5.6	8.1	8.7	1.1	4.0	14.7
Transport	4.3	8.6	6.5	3.1	5.9	24.1
Not in Labour Force	48.6	17.2	27.7	67.8	23.0	64.1
Education of Head						
0- 8	40.4	23.5	18.9	42.8	15.4	62.9
9-12	44.0	45.4	11.6	36.2	44.1	33.3
Some Post-Secondary	4.9	7.3	8.4	8.3	9.8	34.2
College Diploma	6.1	11.1	7.0	7.0	14.4	22.8
University Degree	4.5	12.6	4.7	5.7	16.4	17.3
Family Type						
Childless Couples	19.7	29.8	8.3			
Couple - 1 Child	40.1	55.6	8.9			
Couple - 2 or more Children	2.7	4.3	8.0			
Single Father	1.6	1.4	13.8			
Single Mother	30.0	5.4	42.8			
Others	5.8	3.5	18.5			

Source: Statistics Canada Catalogue 13-207, Income Distribution by Size in Canada, 1981; Tables 86 & 87.

Statistics Canada publishes information annually on the low-income population. Two basic types of information are listed -- composition of the poverty population, and the factors indicating the strongest likelihood of poverty. Table 8 lists the percentage of low-income families and individuals by various characteristics for 1981. To highlight:

- Most of the poor reside in Ontario or Quebec, but the incidence of poverty is highest in Atlantic Canada;
- Unattached individuals were over three times more likely than families to be poor;
- Families headed by someone under 25 years of age had the highest incidence of poverty. Individuals aged 65 and over were more likely than not to be poor;
- Though female-headed families comprised only one-third of low-income families, their likelihood of being poor was over four times greater than male-headed families;
- The probability of poverty for those who were married was far smaller than for those who were unmarried;
- Part-time workers were over four times more likely than full-time workers to be poor. The incidence of poverty for those who did not work was 31% for married persons, and 67% for individuals;
- About 57% of all poor families had a working head, but 87% of non-poor families had a working head;
- The greatest proportion of the poor were not in the labour force, but of those who worked, the ones with the highest likelihood of poverty were employed in farming or service occupations;
- The incidence of poverty declines dramatically with increasing education. For instance, university graduates were only about one-fourth as likely as those who failed to reach high school to be poor; and

- Married couples with one child made up the greatest proportion of poor families, but single mothers stood the largest chance of being poor.

The overall likelihood of poverty for families in Canada dropped from 18% in 1971 to 12% in 1981. For individuals, however, the decline was less precipitous -- from 43% in 1971 to 38% in 1981. In 1982, with the recession beginning to take its toll, family poverty -- especially that of female single parents -- jumped substantially, bringing the incidence to 14%. That individual poverty remained at 38% is indicative of an unemployment insurance system primarily designed for singles (33). The 1983 figures, owing to an increasing number of Canadians exhausting their unemployment insurance benefits, promise to be even worse (33).

Causes of Poverty

The primary cause of poverty is, of course, lack of income. The previous section indicates why the poor lack income -- mainly unemployment, low wages, and various personal traits which ensure they will remain unemployed or poorly paid. But how did the poor get into their predicament?

There are two contrasting themes on the causes of poverty, one emphasizing internal characteristics -- the cultural perspective, the other stressing external social and economic conditions -- the situational perspective (44, 45). A third theory, the life cycle perspective, has emerged from recent research.

The Culture of Poverty

Espousing the view that poverty is perpetuated by the culture or subculture of the poor, Oscar Lewis developed a "culture of poverty" theory in the 1960's (44). Lewis, after studying lower-class areas of London, Glasgow, Paris, Harlem, and Mexico City, asserted that the culture of poverty transcends regional

and national differences, specifying over 100 traits common to the poor no matter where they live. Lewis explained the culture of poverty this way (46, p.622):

> ".... it has a structure, a rationale, and defence mechanism without which the poor could hardly carry on. In short, it is a way of life, remarkably stable and persistent, passed down from generation to generation along family lines. The culture of poverty has its own modalities and distinctive social and psychological consequences for its members."

The basic premises are (47): there exists a set of values unique to the poor arising out of the experience of living in poverty; affected by these values, everyday behaviour, deviant from that of the middle-class, prevents their escape from poverty; children inherit these values and become psychologically unable to take advantage of any opportunities to improve their lifestyle. Poverty does not initially stem from divergent attitudes and characteristics, but rather it creates a vicious circle in which scant resources condition these values, creating barriers to escaping from poverty (28).

Among the traits characterizing the poor are unemployment, few assets, authoritarianism, inability to defer gratification, fatalism, mistrust of police and government, feelings of powerlessness, marginality, inferiority and helplessness, mother-centered family life, present-time orientation, sexual promiscuity, illegitimacy, and violence in interpersonal relations (44, 46, 47). Poverty, then, is a consequence of a different set of values and different behaviours from those of society at large. Hence, a person is poor because of (48):

- many personal decisions in early life which contribute to subsequent poverty such as quitting school, taking a dead-end job or a job in a dying industry, using hard drugs, committing crimes, getting pregnant, or early marriage;

- lower achievement motivation, lower educational and occupational aspirations, and other values and beliefs which may prolong poverty;
- a deficient work effort (laziness), unwillingness to accept available jobs, or low productivity;
- failure to plan for retirement; and/or
- lack of ability.

This concept caught on quickly and was widely adopted, but was subjected to sharp attacks and soon fell from favour (49). Critics most strenuously objected to the notion that the poor had different values from those of the dominant society (47). The critics believed that the poor subscribe to middle-class values and pass them on to their children (47). Rodman (49) accepted the argument that the poor have different values from the middle-class, but also writes that they share the basic values of society. His "value stretch" theory stated that, while sharing the general values of society, the poor have stretched these values, or developed alternative values, to help them cope with their deprived circumstances.

The value distinction is important because if the poor have an entirely separate set of values from the non-poor, and it is assumed that this somehow contributes to the chances of being poor, responses to reduce poverty would necessarily involve changing their values -- a very difficult undertaking. If, on the other hand, the poor share the values of the non-poor (the work ethic, for instance), policies to eradicate poverty would entail changing the economic and social system.

The Situational Perspective

The situationalist argues that the poor have internalized the dominant values, but do not have the opportunity to realize these values (45). The different behaviours manifested by the poor represent their solutions to the problems caused them by society rather than actions which will perpetuate their condition (44). In other words, poverty is the result of a person's situation, not his values or patterns of behaviour. The economic and social situations which lead to poverty include:

- the experience of being socialized in a lower-class environment, especially growing up in a poor family and attending a low-quality school (48);
- limited educational -- college is often too expensive -- and occupational opportunities (48);
- low wages (48);
- unemployment and inflation as evidenced by the recent recession (24, 41):
- demographic factors such as aging or an increase in the divorce rate (24);
- insufficient government transfers for those who must rely on such income (24);
- discrimination by employers who refuse to hire women or minorities or pay them less for the same work (24, 41);
- poor health and disability (24); and
- the emphasis in Capitalist economies on efficiency and profit maximization (24). Low productivity workers such as the aged, the disabled, and the poorly educated have the highest risk of unemployment. A "dual labour market" is created with a primary sector where employment is stable,

pay is good, and strong unions exist, and a secondary sector with unstable employment, low pay, and no (or weak) unions (4).

Life Cycle Perspective

As mentioned previously, a long-term American study completed in 1975 suggested that most poverty is transitory: only 1% stayed poor during the entire nine-year study. Townsend and others have posited that life cycle changes affect the risk of falling into poverty -- much of the population at some point will find themselves below the poverty line. The typical life cycle might be as follows (31, p.426):

> Measured income starts off low in relation to needs during education and training. It usually rises after marriage when two incomes are coming into the family budget. With the birth of the first child, the relationship of income to needs falls for two reasons -- there are more mouths to feed but often less income because the wife stops working. The relationship of income to needs rises again as the wife returns to work and when the children start working or leave home. Finally, measured income declines in relation to needs with the incapacity caused by increasing age and on retirement.

Variations from this pattern, such as ill health, divorce, or unemployment also lead to poverty. Poverty, then, is associated with specific events and changes in the family life-cycle (31). As some people move into poverty, often because of divorce, setting up a new household, or unemployment, others move out by getting married, finding or changing jobs, or upgrading their education (43).

The American study found that education is the single most important factor in determining poverty. Being black, disabled, aged, unemployed, or a single mother also increased the odds of being persistently poor (10, 43). A combination of these characteristics increased the chances even more. There was no proof that children from welfare families are more likely to find themselves on welfare (43).

Consequences of Poverty

There is a circular relationship between the causes and consequences of poverty: many of the effects of indigence contribute to its perpetuation (48). Poverty has consequences for both the poor and the non-poor. Compared to the middle-class, the poor:

- have access to fewer educational and economic opportunities (48, 50);
- acquire traits which impede long-term economic success (48);
- are more susceptible to ill health because of malnourishment and their environment (48, 50);
- are more likely to be victims of crime (48);
- often live in substandard housing (50);
- experience more marital instability (48); and
- have less influence within the community and in politics (48).

For the rest of society, poverty contributes to decay of central cities and, because government transfers constitute a large portion of public spending, it contributes to budget deficits, and hence inflation and unemployment. Other indirect costs associated with the poor include increased spending on law enforcement and upkeep on school buildings (48). The more cynical writers claim that poverty actually helps society by providing a cheap labour pool, ensuring dangerous, menial and undignified work is done, and helping to guarantee the status of the non-poor (4).

Responses to Poverty

Solutions proposed to eradicate poverty are as diverse as the perceptions of its causes and extent. Those who view penury as a subculture urge resocialization of the poor -- especially the children -- to prevent its perpetuation (44). Analysts stressing external causes emphasize the need for massive social changes to provide educational and employment opportunities, remove discrimination, and increase public assistance to aid the needy (44). Cycle-of-poverty theorists view most poverty as a temporary phenomenon which will solve itself in time (51), but acknowledge that long-term indigence requires upgrading and training (43).

Propounders of the absolute definition of poverty believe it can be eventually eradicated through economic growth (20, 52). Relative poverty theorists press for a massive redistribution of income by the state (13).

Who is right? Certainly there is no panacea for destitution. A proper response would be many-faceted to correspond to this multi-dimensional problem, but the weight of the evidence suggests that economic growth may be the key to its elimination (51, 52).

The Effect of Economic Growth on Poverty

When the gross national product increases, poverty decreases, as represented by a simple correlation coefficient of -.69 for the period 1950 - 1980 (52). "The effects of economic growth did indeed trickle down to the lowest economic levels of the society. Economic growth during the 1950's and 1960's was strong, during the 1970's it was weak -- and progress in reducing poverty ceased" (52, p.11). With pre-transfer U.S. poverty growing

from 18% in 1969 to 22% by 1980, it took extremely large increases in social welfare spending just to keep net poverty from rising. The solution to pre-transfer poverty is economic expansion (52).

As further evidence of the importance of the economy to poverty, the experience of the most recent recession is cogent. The economic slowdown increased the poverty rate in both Canada and the United States. Those who are not affected by the business cycle -- senior citizens, for instance -- experienced no increase in the incidence of poverty (24).

Poverty incidence and unemployment rates have a strong relationship: between 1959 and 1973 in the United States, for every 1% decrease in unemployment rates, poverty declined by 0.2%; the number of poor fell by 700,000 for each 1 percentage point reduction in the unemployment rate (53). As well, the incidence of poverty dropped by 1.6% for every 1% increase in median family income (53).

A strong inverse relationship between economic growth and the extent of poverty might imply that the importance of government transfer programs is diminished. This is disputed by liberal writers, some of whom attest that transfers are as important as growth because many of the poor are not in the work force (22), and others who go farther and claim that the effect of growth on poverty, though significant in the past, will vanish in the future, making public assistance even more vital (54).

The Effect of Government Transfers on Poverty

That transfers have had a large impact in reducing indigence is undeniable. Government assistance reduced the official U.S. poverty rate by half in 1979 (22), and by 80% if adjustments are made for non-money income, under-reporting, and taxes (37).

The decline in relative poverty due to government programs is about 40% (36). These statistics are quite impressive considering very few income maintenance programs in the United States (19) or Canada (55) have benefits equal to or greater than the poverty line. Table 9 shows the anti-poverty effectiveness of social insurance and welfare programs in the U.S.

Table 9

Effectiveness of Transfers
(Using official U.S. measure)

Year	Pre-Transfer Income (% Poor)	Social Insurance (% Removed from Poverty)	Welfare Programs	Post-Transfer Income (% Poor)
1965	21.3%	5.0%	0.7%	15.6%
1976	21.0	7.9	1.3	11.8

Source: 57

The trend of poverty reduction is bothersome, however, particularly given the billions of dollars spent on transfers annually. Although poverty did decline substantially between 1965 and 1980, most of the descent occurred from 1965 and 1973, with very little change until the new decade when it began to rise, and most of the decrement was the result of government supplements (56).

Judging by this trend, the anti-poverty effectiveness of public aid has reached a point of diminishing returns. "In short, the current set of transfers may be doing nearly the best it can to prevent absolute poverty with little scope for improvement except at very high cost to taxpayers" (36, p.267). Cutting back benefits will likely increase poverty (22, 56), but there is little support for boosting support either (52).

Since pre-transfer poverty has increased in the past 15 years, it is evident that transfers are ineffective against the root causes of poverty. One major effort did attempt to address the fundamental causes -- the War on Poverty.

War on Poverty

Declared by President Johnson in 1964, the War on Poverty, guided by the ideals of social justice and the expediency of politics, was premised on the notion that poverty was basically a problem of low labour market productivity (29, 58). The program assumed that poverty had to be taken out of people -- accepting the culture of poverty approach -- although the huge expansion of income transfers also implied that people had to be removed from poverty -- the situational approach (58). Its origins were several:

- Johnson, like Kennedy before him, believed that "poverty amidst plenty" was intolerable and that government had the responsibility and the means to mitigate or even eliminate it (58);
- Johnson also believed that by preventing dependency, public expenditures could be reduced (58); and
- there was a fear that an embarrassing inequality among races could incite violence and disruption (29).

The poor were poor, it was thought, because they did not, would not, or could not work enough as a result of a sluggish economy, personal traits, or discrimination against them (29). Any truly effective policy would have to target these root causes. "The remedy required overt policy measures by the federal government that were designed to improve the performance of the economy, the productivity characteristics of the poor, and the attitudes (or at least the behaviour) of those who hired or sold to the poor" (29, pp. 5 - 6).

A massive tax cut was implemented in 1964 to revitalize the economy, particularly reduce unemployment; the marketability of the poor was enhanced through institutional and on-the-job manpower training programs including Job Corps, Neighbourhood Youth Corps, the Manpower Development and Training Act, JOBS, and the Work Incentive Program, as well as through educational upgrading programs such as Head Start, Upward Bound, Follow Through, and Teacher Corps; low productivity by the poor as a result of diet deficiencies or medical problems was addressed by food programs and Medicaid; finally, programs like Community Action were instituted which aimed to restructure the social establishment to improve access to jobs and goods and services. "Nearly every hypothesis as to why the poor performed weakly in the labour market was reflected in some program" (29, p.8).

Yet neither planned nor anticipated was the massive growth of welfare programs which took their impetus from the War on Poverty. And, ironically, it appears that the planned programs, which were to redress the root causes of poverty, had little effect (except perhaps for the tax cut), while the unplanned expansion of welfare programs reduced poverty substantially (29, 52). In this sense, the War on Poverty was a failure. Some conservative theorists go farther and allege that the enlargement of income maintenance programs engendered by the War on Poverty has actually contributed to post-transfer poverty by creating work disincentives and enabling the break-up of poor families (36, 52). "The implementation of the Great Society reforms coincided with an end to progress in reducing (pre-transfer) poverty" (52, p.10).

Conclusion

It is difficult to draw unbiased conclusions about poverty because, as this review has shown, there is no consensus on any of the major issues surrounding the topic. But the weight of the evidence would seem to favour:

- an absolute rather than a relative approach. A poverty line is essentially a socially determined measure: it must be perceived as reasonable by the public and the politicians to gain wide acceptance. The public supports subsistence aid to the poor, perhaps at a higher level than most income support programs now provide (5, 15) -- although contradictorily they also favour (according to Martin Anderson) large cuts in welfare spending (23), but does not generally support a relative income approach (4, 17).

> When the public is concerned about the alleviation of poverty, they are anxious that children should not go to bed hungry, that families should not live in leaky, rat-infested homes. They are saying that there is some minimum standard of material living which should be enjoyed by all members of the society. The precise level of that standard can be and is debated, but the general goal is quite clear (51, p.11).

- not treating or measuring poverty as equivalent to income inequality.

> As a practical matter, it is poverty, not the distribution of income, which concerns the public. Adequate food, clothing, and shelter -- however defined, is the goal .... They do not care whether the middle 20 percent of income earners receive more or less than 20 percent of the national income. Even the poor are unconcerned about redistribution to equalize income (51, p.11).

- responding to poverty primarily by promoting economic growth. Public aid programs should be maintained for those in absolute

poverty. Measures such as job creation and work training should be curtailed, as suggested by their ineffectiveness in the War on Poverty. Finally, if much poverty is temporary, long-term benefit programs that fail to measure income regularly, for example, public housing, may be inappropriate (31).

"A definition of poverty becomes relevant only when it is adopted as a background for action" (8, p.206). There is no official poverty line in Canada because the existing measures are too high. A more reasonable poverty line similar to the Montreal Diet Dispensary might prompt politicians to ensure that no Canadian will fall below this threshold (although the experience in the United States suggests that this is unlikely). The other four poverty lines, however, serve only to overestimate the extent of poverty in Canada, and underestimate the success achieved in alleviating it. To the extent that the poverty problem is misjudged, policies intended to contribute to its diminution (especially ever-increasing transfer benefits) may instead exacerbate the problem.

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APPENDIX

COMPARATIVE INDICATORS: AVERAGED REFERENCE COUNTRY*

	A	B	C	D	E
Calories consumed daily per capita	3,090	2,855	2,504	2,099	1,961
Education expenditures per capita (U.S.$)	266	46	18	14	2
Energy consumption per capita (Kg coal)	4,466	1,798	489	182	38
Health expenditures per capita (U.S.$)	182	10	7	4	1
Life expectancy at birth: female	78	70	56	48	39
Life expectancy at birth: male	69	66	57	48	39
% Population literate	93	77	56	40	13
Infant mortality: deaths per 1,000	14	34	79	128	164
Population per physician	716	837	2,810	12,196	32,584

RICH - → POOR

*The average of the seven reference countries in the appropriate A, B, C, D, E, classification below.

A	B	C	D	E
Sweden	Romania	Turkey	Bolivia	Afghanistan
U. K.	Argentina	Egypt	Colombia	Bangladesh
Netherlands	Greece	Brazil	Burma	Haiti
Japan	Spain	Sri Lanka	Indonesia	Ethiopia
Austria	Israel	Iraq	Algeria	Upper Volta
France	Mexico	Cuba	Nigeria	Zaire
Australia	Singapore	Guatemala	Zambia	Tanzania

Selection criteria based on comparable population size, regional balance, type of economy, and standard of living indicators.

Source: Mchale, J. & Mchale, M.C. Meeting basic human needs. Annals, AAPSS 1979; 442: 13 - 27